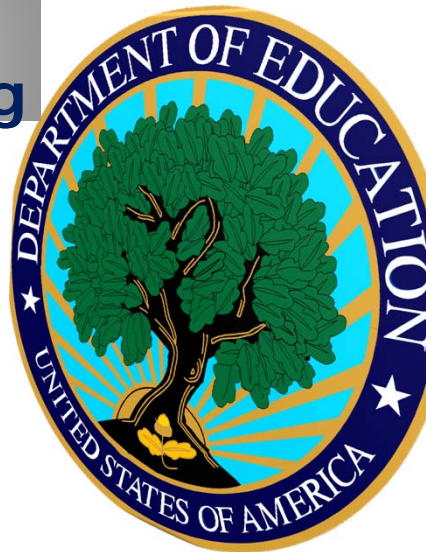


Business Officer Training

Q & A Session



Question 1

- I recall that that there was a specific pecking order for the disbursement of Title IV aid. And I thought that the PLUS loans were to pay before student sub. and unsub. Can anyone shed some light on this? I know there is a pecking order on return of Title IV funds, but I thought there was also one for the order of disbursement.



Answer 1

- Regulations do not prescribe an order for posting funds to a student's account. A Title IV credit balance exists when Title IV funds exceed allowable charges. Chronology of posting doesn't matter. Regulations do prescribe the order in which funds must be returned to the Title IV programs under R2T4, but this is an unrelated topic.



Question 2

- I have a student that withdrew from school during the fall 2011 term and owes us due to a return of funds under R2T4. She needs to pay off her fall balance before being allowed to enroll for spring 2012. The student would like to sign something allowing her spring aid to pay off the remaining fall balance. I recall reading that Title IV aid may not be used to pay off a prior balance. Could you clarify if this is between each year or is that between semesters as well?



Answer 2

- No more than \$200 of current award year Title IV funds may be applied to a minor prior year balance. If the student's aid package includes a Direct Loan, the year is the loan period. If a student does not have a Direct Loan, the year is the award year. Assuming this student has a Direct Loan with a fall/spring loan period or has no Direct Loan at all, there is nothing to prohibit applying spring aid against fall charges (a student authorization is not necessary). However, if the student has a spring only Direct Loan, fall charges that may be paid with spring aid are limited to \$200 (no student authorization required).



Question 3

- I am looking for what the Federal regulations say regarding the use of any disbursement to pay for a future term that either is, or is not, already a receivable on the student account. I recall the FSA Handbook Vol. 4 that pertains to holding credit balances, but am unable to find any regulation about paying a future term.



Answer 3

- Title IV aid awarded for the fall/spring may pay for allowable charges within that entire period (note that a fall only loan could only cover charges associated with the fall term). There is no prohibition on fall disbursements paying spring charges. In all likelihood however, the 14-day timeframe prescribed in 668.164(e) will necessitate paying a fall credit balance before spring charges are posted. 668.165(b) does allow for obtaining a student/parent authorization to hold credit balances (conditions apply). Any authorization notwithstanding, a remaining balance of loan funds must be paid by the end of the loan period and a remaining balance of grant funds by the end of the last payment period in the award year for which they were awarded.



Question 4

- I have a student who receives VA education benefits and Stafford loans. Our financial aid office says that it is okay that his total aid appears to exceed need. The student has an enormous credit and I am uneasy about giving him such a large refund.



Answer 4

- Your financial aid office is correct. Under statute, Federal Veterans' education benefits are not considered as estimated financial aid (formerly a resource) in determining a student's eligibility for Title IV aid. While you may certainly encourage students with VA education benefits to borrow less, you may not prohibit them from borrowing any amount they are eligible to receive and resulting credit balances must be paid as they would be for any other student.



Question 5

- We had a student who didn't want his loans after we received his disbursement, applied them to his account and sent him a check for the credit amount on his account. The student brought the check back and asked that we cancel the loan. May we use those funds to make a disbursement to another student or must we return them? Are the funds excess cash and do we process a refund through G5 or just our federal funds account?



Answer 5

- Title IV funds are not student specific. You may use funds recovered from one student to fund disbursements for another. Using the example in this question, funds recovered from a student are deposited back into the Federal funds account. No refund is made through G5, as the funds will be disbursed to other students, not returned ED. Note that while Title IV funds are not student specific, disbursement records submitted through COD are student specific. An adjusted disbursement record for student A (reflecting his new disbursement amount of \$0) must be submitted through COD. Remember that any previously disbursed funds deposited back into the Federal funds account and not used within 3 business days are considered excess cash. That means you must return, through the refund process in G5, any of these funds you could not disburse to other students within 3 business days or else account for the cash on hand in your next draw of Federal funds.



Question 6

- With stored value and prepaid debit cards, are funds considered paid to the student when the school electronically transfers funds to the card/financial institution? Does the school have any responsibility to verify the student actually used the funds on the card or if the student is still in possession, similar to the responsibility schools have with regard to checks not cashed? How does the prohibition against Title IV funds escheating to the state.



Answer 6

- If the stored value card is issued by the institution, the school is considered to be holding a credit balance. Therefore, all the considerations on holding credit balances apply. However, the question appears to relate to a stored-value card that is a prepaid credit card issued by a financial institution. With such cards, the institution is, necessarily, opening an underlying bank account for which the student's permission must be obtained. Since the funds are transferred from the school's account to the bank, so long as the school cannot reclaim or recall those funds to pay other charges without the student's written permission, the transaction is the equivalent of paying the funds directly to the student. The school has no responsibility to verify that the funds were actually used. Escheating is not an issue here since the transaction is the equivalent of paying the student directly.



Question 7

- We have a campus clinic with an attached pharmacy that rather than collecting the co-pays and retail purchases wants to put these charges on the student account. Can financial aid pay for these charges?



Answer 7

- As long as the school obtains the student's authorization to use FSA funds to pay for charges other than tuition, fees and room and board (if the student contracts with the school), it would be permissible.



Question 8

- When a credit balance on a student's account is created by a PLUS loan, how do you determine who receives the refund? From where does that information originate?



Answer 8

- When a Title IV credit balance is created by a parent PLUS loan (remember that where multiple sources of Title IV aid have resulted in the credit balance, the school may determine which source created the credit balance, without respect to order or posting), the credit balance must, as a matter of course, be paid to the parent. However, a parent may provide written authorization allowing for the credit balance to be paid to the student. Such authorization may be obtained by several methods, including an indication on the PLUS loan application (school receives SAIG mailbox notification of this), at studentloans.gov, (viewable in COD) as to whom a credit balance should go.



Question 9

- We have a student who registered and attended classes that were full semester courses. She also registered for late starting courses (over a 5-week and 2-week period). The student only received aid for the full-semester courses—disbursements for the late starting classes delayed pending start of those classes. She withdrew from the full semester classes on 11/7 (the 60% date) but is still registered for the remaining late start classes and looking for the additional Pell. She has yet to attend either late starting class. If she remains registered, is she eligible for those funds?



Answer 9

- The rules for withdrawal from a program offered in modules apply here. After starting, the student both ceased to attend and failed to begin attendance in courses she was scheduled to attend. At the point where she ceased attendance in the full semester courses, she was not attending any other classes, nor is it indicated the student confirmed attendance in a course or module beginning later in the period. Accordingly, she is a withdrawal at that point. The question indicates she withdrew at the 60%, which would necessitate a return calculation. If she withdrew after the 60% point, 100% of the aid that was disbursed or could have been disbursed is considered to have been earned. Neither aid disbursed nor aid that could have been disbursed may include Pell amounts for classes the student did not begin.



Question 10

- A number of our students authorize us to hold credit balances into the next semester of the same academic year. What is the timeframe for releasing credit balances in the case where a student does not return for the spring semester?



Answer 10

- The student's failure to return effectively constitutes a cancellation of the authorization to hold funds. The school has 14 days from the date of the student's cancelling classes for the spring semester or failing to begin classes (whichever is earlier) to refund the credit balance to the student.



Question 11

- At what point must stale dated checks be returned?



Answer 11

- If a school attempts to disburse funds by check and the check is not cashed, the school must return the funds within 240 days after the date it issued the check. If a check is returned or EFT rejected, the school may make additional attempts to disburse the funds (within 45 days after return or rejection of EFT). If no additional attempts to disburse returned funds are to be made, those funds must be returned to ED by the end of the 45-day period. Additional attempts notwithstanding, all funds must be returned no later than the 240-day period.



Question 12

- We are working with Acme bank to handle student refunds. Acme Bank has a small branch on our campus. Staff of Acme Bank attend our new student orientation programs to assist students in setting up checking/savings accounts with Acme. Our financial aid office is concerned that we are in violation of the student Loan Code of Conduct. They believe that we are not offering the students a choice of lender (this branch offers no lending to students) and thus restricting their choice.



Answer 12

- The Code of Conduct rules, found in the Code of Federal Regulations at 601.21, require that a covered institution develop a code of conduct with respect to FFEL program Loans (no longer available) and private education loans. From the question, it appears that the school has an agreement with this bank for issuing prepaid debit cards. Additionally, bank employees participate in orientation activities in which they assist students in opening accounts. The Code of Conduct rules are not pertinent to either of these processes, which do not involve education loans. Requirements for stored-value and prepaid debit cards may be found in the FSA Handbook on pages 4-26. However, if the school-bank relationship involves, in any way, private education loans, then the Code of Conduct and certain disclosure requirements would apply.



Question 13

- Does HEA Section 135 mean that if a member of the armed forces who is stationed in a neighboring state, we must offer our in-state tuition?



Answer 13

- If the student's permanent duty station (assuming a member of the armed forces on active duty for more than 30 days) is in a neighboring state but the student is resident in your state, you are required to offer him or her in-state tuition (applicable to public institutions).



Question 14

- Beginning with summer 2012, the University will no longer allow students pick up checks in the Bursar's Office. Instead, we will mail them to the student's permanent address. Currently, we notify students within 14 days that their funds are available. What about when we begin mailing? Are we required to notify students that we are mailing their funds to them?



Answer 14

- You are considered to have issued the check and thus paid the credit balance at the point when the check is mailed—subject to the 14-day rule. You must ensure that the checks are mailed within the 14-day period. It is not necessary to notify students that a check will be mailed.



Question 15

- I have a student who received Pell Grant and a loan on 10/29/???. At the end of the semester, we discovered that she had stopped attending on 09/14/???, but never officially withdrew. We do not administratively withdraw students who stop attending. They receive F grades from the faculty. Should this be treated as an unofficial withdrawal or a post-withdrawal disbursement?



Answer 15

- This would be an unofficial withdrawal, with the withdrawal date being either the 50% point of the term or the documented last date of attendance at an academically related activity (likely the 09/14 date). The Pell and Direct Loan disbursements made to the student after she ceased attendance on 09/14 are considered inadvertent overpayments and treated as "aid that could have been disbursed" for purposes of the R2T4 calculation. If all the aid for the term has been disbursed, there will be no post-withdrawal disbursement.



Question 16a

- When a student ceases attendance in a module-based program, we must perform R2T4 unless we confirm attendance prior to the beginning of the module in which the student is confirming attendance. However, what if we don't know the student ceased attending the current module until after the future module has begun?



Question 16a (continued)

- Example: Student is enrolled 3 hours in Module 1 (01/01-04/30) and another 3 hours in Module 2 (03/01-04/30). The instructor, on March 15, reports a grade of SF (stopped attending, grade of F earned) in Module 1, but lists the last day of attendance as 02/15. By the time we know the student ceased attending the first module, the second has already begun (the student is still enrolled in Module 2).



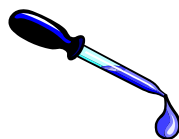
Answer 16a

- Because the student has actually returned to a subsequent module, she is not considered withdrawn and R2T4 is not an issue.



Question 16b

- Add a further complication... what if the student has dropped Module 2 (say on 03/10), and by the time we become aware of this, she has ceased attendance in Module 1?



Answer 16b

- Assuming you are not required to take attendance, the 2/11 LDA is not relevant. However, the student has withdrawn now that all classes in Module 2 have been dropped. An R2T4 calculation is required with March 10 as the withdrawal date.



Question 17

- An institution is required to “undo” the R2T4 calculation if a student who has withdrawn returns to the institution within the same payment period. Is this true for all R2T4, or just those performed under the new regulations?



Answer 17

- 34 CFR 668.22(a) (iii) (applicable regulation) pertains specifically to programs offered in modules. However, without regard to whether a program is offered in modules, an institution may allow a student to rescind his/her official notification of withdrawal with a written statement that he/she is continuing to participate in academically related activities.



Question 18

- What is the rationale behind the Department's limiting to \$200 the amount of prior year charges that can be paid with current year Title IV funds? How does the Department propose institutions handle these types of situations?



Answer 18

- Statute is clear that Title IV funds are intended to cover expenses related to the COA in the year for which the student received those funds. A narrow interpretation would allow no prior year charges to be paid from current year funds. However, to provide some flexibility, regulations permit minor prior year charges (\$200 or less) to be paid with current year funds. We do not prescribe how institutions must comply.



Question 19

- Can institutions set a minimum amount when issuing Title IV refunds of \$3.00, \$5.00, or higher?



Answer 19

- I assume what is meant by refunds are Title IV credit balances. Any amount of \$1.00 or more must be paid to the student. There is no de minimis amount for R2T4. However, actual returns may be rounded to the nearest whole dollar.



Question 20

- Student is registered for 2 classes in two parts of a term— 3 hours in the first 6 weeks and 3 hours in the second 6 weeks. Aid is disbursed to the student 10 days prior to the first 6 weeks. The student drops the first 6-week class and confirms he will not attend the next 6-week class. The R2T4 is completed and loan funds returned. She does end up attending the second 6-week class, but at this point, the financial aid office cannot re-disburse the loan money because the student is now less than half-time. Should the school have completed the R2T4 calculation but not returned the funds until the second 6-week term started? Also, as a school not required to take attendance, do we have to verify attendance in the second 6-week term or wait until the semester is over to check for passing grades?



Answer 20

- An institution is expected to begin the Return of Title IV Funds process immediately upon its determination that a student has withdrawn in order to perform required actions in a timely manner, and may not delay the Return of Title IV Funds process in case a student might return. To restore any funds the student may be eligible for, the school must verify the student has resumed attendance in the second 6-week term. Assuming he resumed attendance in the second 6-week term, waiting until the end of that term to confirm this would not be acceptable.



Question 21



- For the first time, I plan to carry-forward FWS funds from 2011-2012 to be used in 2012-2013. The person who deals with drawdowns in the Comptroller's Office has never encountered this before. Since I have never been responsible for drawing down funds, I am not sure what to tell her. Is there a special G-5 procedure she needs to follow?



Answer 21

- The carry-forward amount will, of course, be expended in 2012-2013, but it is still 2011-2012 funds and must be drawn down (requested) from the appropriate award in G-5 for 2011-2012 FWS. The fact that the funds will have been expended in 2012-2013, will be accounted for on the 2011-2012 FISAP to be filed this fall.



Question 22

- Does Administrative Cost Allowance (ACA) need to be posted on the school's books before 06/30/2012 for 2011-2012 Federal Work Study and or FSEOG in order to claim the ACA on the FISAP? Regulations seem clear that this is required for Federal Perkins Loan but I cannot find a corresponding regulation for either FWS or FSEOG.



Answer 22

- You are correct that 34 CFR 673.7(g) specifically requires ACA costs charged against the Perkins Loan fund be charged in the same year in which the expenditures for those costs were made. Neither FWS nor FSEOG are addressed there. This regulation reflects the nature of the Perkins Loan fund and the fact that activity in it is not tied to an allocation. However, 34 CFR 673.4(f) and (g) do address allocations for FWS and FSEOG respectively and state that funds allocated for an award year may not be used to satisfy any other obligation incurred after the end of the award year. Accordingly, the posting date for ACA should be no later than June 30.



Question 23

- Some in our Student Accounts office maintain that we should not adjust aid for those students who we determine never attended a class. They have convinced our administration that we are costing the college money in making adjustments even if we find out late in the semester that the student only attended, for example, 9 of 12 credits.



Answer 23

- This is not correct and would, in fact, be a violation of statute where Federal Pell grant is involved. The student who started only 9 of 12 credits is entitled only to a $\frac{3}{4}$ time Federal Pell Grant award. The student must attend every course for which Pell Grant and TEACH Grant are paid. If the school cannot document attendance, those grants for those courses are ineligible.



